

Tight Stocks Boosted Prices, Improved Net Returns

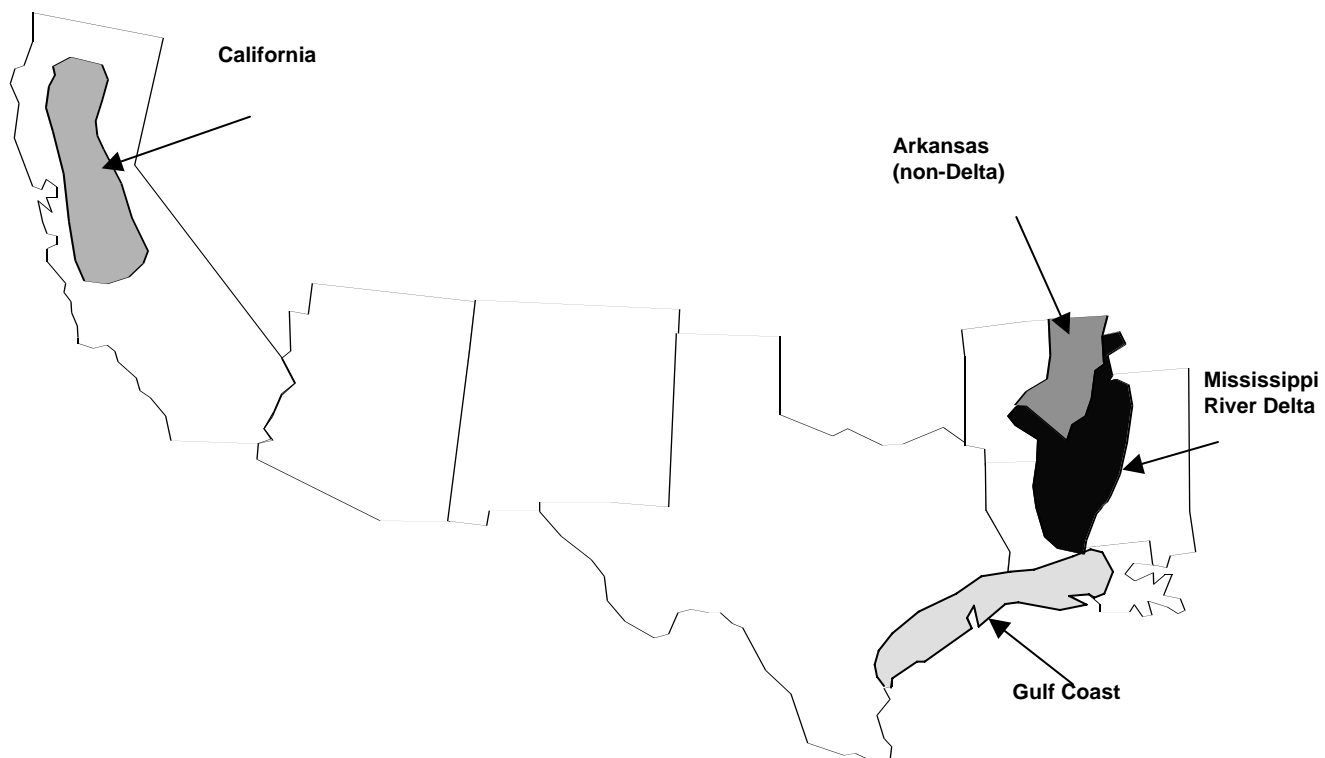
Rice plantings were down in 1996, but yields were record or near-record across the southern producing States. California yields were down slightly due to disease, weed, and weather problems. Steady production and lower beginning stocks kept supplies from growing. Continued tight stocks, especially for high-quality long-grain rice, helped to boost prices and improve net returns. Increased returns substantially exceeded increased costs in most areas. Costs were up mainly due to higher seed, fertilizer, and fuel prices.

Two regions (Arkansas non-Delta and Mississippi River Delta) of the four rice-growing areas had positive residual returns to management and risk in 1996.

These two regions had the least negative residual returns in 1995.

Harvest-month prices improved the greatest in the Gulf Coast region, helping that region to show the most improvement in residual returns from 1995 to 1996. In 1995, the Gulf Coast region (first region to harvest rice) had already sold most of its crop before prices escalated dramatically when Japan unexpectedly started buying rice on the world market. A decline in the medium grain (type preferred by Japan) price premium in 1996 had the most impact in California, where most of the U.S. medium-grain rice is grown.

Figure 8-5
Rice production regions



Notes: Shading and patterns indicate production regions where producers were surveyed in 1992 about production practices and costs of production. Production regions are defined for each crop based on common cultural practices.

Table 8-5A—Rice production cash costs and returns, excluding direct government payments, 1995-96

Item	United States		Arkansas (non-Delta)		Mississippi River Delta		Gulf Coast ¹		California	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>										
Gross value of production (excluding direct government payments):										
Rice	488.66	592.70	502.15	630.01	472.69	588.32	413.13	543.08	680.60	744.96
Total, gross value of production	488.66	592.70	502.15	630.01	472.69	588.32	413.13	543.08	680.60	744.96
Cash expenses:										
Seed	19.23	22.38	17.08	20.67	18.46	20.36	19.71	22.92	23.44	27.27
Fertilizer	54.96	56.10	50.26	52.09	51.70	50.14	58.25	58.43	62.94	67.61
Chemicals	65.11	67.86	62.12	64.74	63.61	66.30	59.91	62.44	79.82	83.20
Custom operations ²	45.15	45.57	34.48	34.45	34.43	34.21	40.35	40.59	84.92	87.16
Fuel, lube, and electricity	57.42	73.03	56.35	77.04	60.26	77.36	55.05	69.03	59.18	65.96
Repairs	28.51	28.69	28.01	27.91	25.84	25.54	27.64	27.77	34.01	35.37
Hired labor	32.52	35.81	29.32	32.29	28.62	31.52	34.06	37.50	41.07	45.23
Drying ³	28.37	30.14	24.19	27.27	11.53	12.76	27.40	29.80	58.49	57.65
Other variable cash expenses ⁴	11.40	12.03	1.06	1.12	0.01	0.01	20.20	21.31	32.05	33.82
Total, variable cash expenses	342.67	371.61	302.87	337.58	294.46	318.20	342.57	369.79	475.92	503.27
General farm overhead	29.91	28.00	18.04	16.89	16.50	15.44	22.65	21.20	78.69	73.66
Taxes and insurance	29.30	31.88	23.36	25.53	19.91	21.56	25.78	28.20	56.91	61.63
Interest	26.77	26.42	26.33	25.98	23.04	22.73	24.04	23.72	36.16	35.69
Total, fixed cash expenses	85.98	86.30	67.73	68.40	59.45	59.73	72.47	73.12	171.76	170.98
Total, cash expenses	428.65	457.91	370.60	405.98	353.91	377.93	415.04	442.91	647.68	674.25
Gross value of production less cash expenses	60.01	134.79	131.55	224.03	118.78	210.39	-1.91	100.17	32.92	70.71
Harvest-period price (dollars/cwt)	8.77	9.75	8.85	9.85	8.67	9.75	8.05	9.75	8.87	9.85
Yield (cwt/planted acre)	55.72	60.79	56.74	63.96	54.52	60.34	51.32	55.70	76.73	75.63

Table 8-5B—Rice production economic costs and returns, excluding direct government payments, 1995-96

Item	United States		Arkansas (non-Delta)		Mississippi River Delta		Gulf Coast ¹		California	
	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996
<i>Dollars per planted acre</i>										
Gross value of production (excluding direct government payments):										
Rice	488.66	592.70	502.15	630.01	472.69	588.32	413.13	543.08	680.60	744.96
Total, gross value of production	488.66	592.70	502.15	630.01	472.69	588.32	413.13	543.08	680.60	744.96
Economic (full ownership) costs:										
Variable cash expenses	342.67	371.61	302.87	337.58	294.46	318.20	342.57	369.79	475.92	503.27
General farm overhead	29.91	28.00	18.04	16.89	16.50	15.44	22.65	21.20	78.69	73.66
Taxes and insurance	29.30	31.88	23.36	25.53	19.91	21.56	25.78	28.20	56.91	61.63
Capital replacement	58.87	59.25	56.44	56.23	51.96	51.34	58.74	58.99	72.15	75.04
Operating capital	9.59	9.47	8.46	8.59	8.23	8.10	9.63	9.46	13.30	12.81
Other nonland capital	21.08	19.98	22.61	21.43	20.17	19.11	20.93	19.84	19.64	18.62
Land	113.49	125.26	106.15	114.31	106.70	110.97	79.66	86.91	183.41	217.60
Unpaid labor	25.26	26.89	26.01	28.64	16.61	17.57	30.62	32.23	27.11	27.82
Total, economic (full ownership) costs	630.17	672.34	563.94	609.20	534.54	562.29	590.58	626.62	927.13	990.45
Residual returns to management and risk	-141.51	-79.64	-61.79	20.81	-61.85	26.03	-177.45	-83.55	-246.53	-245.49
Harvest-period price (dollars/cwt)	8.77	9.75	8.85	9.85	8.67	9.75	8.05	9.75	8.87	9.85
Yield (cwt/planted acre)	55.72	60.79	56.74	63.96	54.52	60.34	51.32	55.70	76.73	75.63

¹Gulf Coast includes southwest Louisiana, upper and lower Texas coast.²Cost of custom operations and technical services.³Commercial drying only, beginning in 1992.⁴Cost of purchased irrigation water.

Source: Economic Research Service, U.S. Department of Agriculture.